

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
CLERK**

**For The Year Ended
December 31, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY CLERK

**For The Year Ended
December 31, 2014**

The Auditor of Public Accounts has completed the Taylor County Clerk's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$39,150 from the prior year, resulting in excess fees of \$112,657 as of December 31, 2014. Receipts increased by \$1,310 from the prior year and disbursements increased by \$40,460.

Report Comments:

- 2014-001 The County Clerk Should Require Timesheets Be Prepared By Employees
- 2014-002 The County Clerk Should Deposit Funds Intact On A Daily Basis
- 2014-003 The County Clerk Should Adhere To The Taylor County Fiscal Court's Personnel Policies And Procedure Handbook Or Implement His Own Written Policy Regarding Sick Leave
- 2014-004 The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the County Clerk of Taylor County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Clerk, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2015 on our consideration of the Taylor County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Taylor County Clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The County Clerk Should Require Timesheets Be Prepared By Employees
- 2014-002 The County Clerk Should Deposit Funds Intact On A Daily Basis
- 2014-003 The County Clerk Should Adhere To The Taylor County Fiscal Court's Personnel Policies And Procedure Handbook Or Implement His Own Written Policy Regarding Sick Leave
- 2014-004 The County Clerk's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

June 19, 2015

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State Fees For Services	\$	7,196
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Fiscal Court		28,539
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 823,746	
Usage Tax	2,135,363	
Tangible Personal Property Tax	1,869,873	
Lien Fees	11,306	

Other-

Marriage Licenses	7,502	
Deed Transfer Tax	56,131	
Delinquent Tax	208,641	5,112,562

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	12,803	
Real Estate Mortgages	27,908	
Chattel Mortgages and Financing Statements	70,574	
Powers of Attorney	3,106	
Affordable Housing Trust	21,702	
All Other Recordings	21,741	

Charges for Other Services-

Candidate Filing Fees	1,930	
Copywork	5,249	
Election Commission and Voter Registration Fees	750	165,763

Other:

Usage Tax Refunds	6,099	
Board of Assessments	200	6,299

Interest Earned		2,505
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Total Receipts		5,322,864
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The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 563,927

Usage Tax 2,071,119

Tangible Personal Property Tax 658,084

Licenses, Taxes, and Fees-

Delinquent Tax 28,769

Legal Process Tax 23,614

Affordable Housing Trust 21,702 \$ 3,367,215

Payments to Fiscal Court:

Tangible Personal Property Tax 117,707

Delinquent Tax 16,598

Deed Transfer Tax 53,325 187,630

Payments to Other Districts:

Tangible Personal Property Tax 1,019,321

Delinquent Tax 101,186 1,120,507

Payments to Sheriff 18,152

Payments to County Attorney 27,262

Tax Bill Preparation 4,416

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 242,372

Part-time Salaries 1,760

Employee Benefits-

Employer's Share Social Security 24,517

Employer's Paid Health Insurance 69,260

Contracted Services-

Indexing and Web 7,540

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
 MARK CARNEY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	10,467	
Other Charges-			
Conventions and Travel		1,818	
Dues		780	
Refunds		6,580	
Credit/Debit Equipment and Fees		<u>10,978</u>	\$ 376,072
Capital Outlay-			
Office Equipment		1,268	
Office Fixtures and Remodeling Project		<u>12,178</u>	<u>13,446</u>
Total Disbursements			<u>\$ 5,114,700</u>
Net Receipts			208,164
Less: Statutory Maximum			<u>87,997</u>
Excess Fees			120,167
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,910</u>	<u>7,510</u>
Excess Fees Due County for 2014			112,657
Payment to Fiscal Court - March 10, 2015			<u>112,000</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 657</u></u>

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 3. Deposits

The Taylor County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Taylor County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Edwin L. Rogers, Taylor County Judge/Executive
The Honorable Mark Carney, Taylor County Clerk
Members of the Taylor County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the Taylor County Clerk for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated June 19, 2015. The County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Taylor County Clerk's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Taylor County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-003.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

June 19, 2015

COMMENTS AND RECOMMENDATIONS

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The County Clerk Should Require Timesheets Be Prepared By Employees

No timesheets were prepared for any employees of the County Clerk's office for calendar year 2014. This occurred because the County Clerk's office lacked internal controls that required the employees to complete timesheets. Federal and State laws require employees to keep an accurate record of time worked in order to calculate employee pay and benefits.

KRS 337.320(1)(b) states, "Every employer shall keep a record of: The hours worked each day and each week by each employee." Also, the Taylor County Fiscal Court's Personnel Policies and Procedures Handbook states, "....employees should accurately record the time they begin their work and end their work."

We recommend all employees prepare a timesheet each pay period indicating the actual hours worked and any sick or vacation leave taken. The timesheet should be signed by the employee indicating agreement with the hours worked, and reviewed and signed by their immediate supervisor or the County Clerk.

County Clerk's Response: No response.

2014-002 The County Clerk Should Deposit Funds Intact On A Daily Basis

The County Clerk does not deposit all funds collected intact on a daily basis. Auditor reviewed the County Clerk's daily checkout sheets for one week and noted each day's cash on hand was different each day. Also, the County Clerk is leaving the daily cash receipts overnight in the office vault and making the deposit the next morning. This would normally be acceptable however; the cash drawers are housed in a wooden cabinet in the vault. If a fire were to occur due to electrical wiring in the vault, the wooden cabinet would be destroyed, along with all monies contained within. All public funds should be deposited into an official bank account on a daily basis and minimal amounts per cash drawer, be retained for startup cash for the following day. This occurred due to the County Clerk not implementing proper internal controls over daily collections, their reconciliation and subsequent deposit. Proper internal control over receipts require that all daily receipts be reconciled to a pre-determined cash on hand amount, properly secured in a locked, fire proof safe until the daily deposit is made as required by KRS 68.210.

The Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual states the minimum requirements for handling public funds pursuant to KRS 68.210 is "daily deposits intact into a federally insured banking institution".

We recommend the County Clerk make daily deposits intact and leave a minimum amount in each of the cash drawers as start up monies each day. We also recommend the County Clerk either take the daily deposit to the bank overnight for safekeeping or house in a fire proof safe in his office until the deposit can be made the next morning.

County Clerk's Response: No response.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2013
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-003 The County Clerk Should Adhere To The Taylor County Fiscal Court's Personnel Policies
And Procedure Handbook Or Implement His Own Written Policy Regarding Sick Leave

Vacation leave for the County Clerk's office employees was granted according to Fiscal Court's policy however, sick leave balances were not. Auditor reviewed and tested sick and vacation leave balances for a sample of employees in the County Clerk's office. The County Clerk uses bookkeeping software to account for all sick and vacation leave used during the year.

Per the County Clerk, he allows each employee to receive 12 sick/personal leave days per year, which is in accordance with the Taylor County Fiscal Court's Personnel Policies and Procedure Handbook. In regards to unused sick days, the County Clerk only allows his employees to carry a maximum total of 30 days (240 hours) over into the next year. He also allows each employee to bank a maximum of 6 unused days (48 hours) for each year. Banked days can only be used in case of surgery, illness or retirement. Any unused hours in excess of the 6 banked days and hours that will not carry forward into the next year are lost. Also, the County Clerk allows his employees to use sick time in 1 hour increments.

Taylor County Fiscal Court's Personnel Policies and Procedure Handbook states "Employees hired prior to 7/1/2011 may carry forward 968 hours of accumulated sick leave for retirement through Kentucky Retirement Systems. These hours will be used to extend the employees retirement date, wages and benefits from Taylor County Fiscal Court. At time of retirement any additional hours accumulated above the 968 will be forfeited." It further states "Sick leave must be used in 2-hour increments." Since the County Clerk is not following Taylor County Fiscal Court's policies, his employees are not receiving the full benefits of being a county employee.

We recommend either the County Clerk adhere to Taylor County Fiscal Court's Personnel Policies and Procedure Handbook or implement his own written policy.

County Clerk's Response: No response.

2014-004 The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office lacks adequate segregation of duties over receipts and disbursements. For the majority of the year, the same deputy prepared the daily checkout sheet, prepared the daily deposit, and posted to the receipts ledger. In addition, the deputy also collects money from customers. The County Clerk also performs these duties on occasion. Review of the daily checkout process by the County Clerk is undocumented. Another deputy and the County Clerk jointly prepare the quarterly financial reports. The County Clerk prepares, signs, and posts all disbursements, with the exception of payroll. Another deputy performs the bank reconciliations for both the fee and payroll bank accounts, with the County Clerk reviewing. Auditor observed the County Clerk's initials on the bank statements and occasionally on the bank reconciliations evidencing his review.

TAYLOR COUNTY
MARK CARNEY, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2013
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-004 The County Clerk's Office Lacks Adequate Segregation Of Duties (Continued)

This condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

Segregation of duties over receipts, disbursements and the reconciliation process or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting and/or misappropriation of assets.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds, recording and reporting of those receipts and disbursements. In addition, compensating controls would not be effective over duties performed by the County Clerk. Lack of segregation of duties increases the County Clerk's risk of misappropriation of assets, errors and inaccurate financial reporting.

We recommend the County Clerk strengthen internal controls by segregating these duties. If segregation is not possible, due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

County Clerk's Response: No response.

